

STATEMENT
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COMMITTEE ON FINANCIAL SERVICES SUBC.
HOUSING AND COMMUNITY DEVELOPMENT
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Chairman Roukema, Ranking Member Frank and my colleagues on the Subcommittee, thank you for your efforts in making this hearing possible to review the current status of Round II empowerment zones. Congressman Capuano and I co-chair the Empowered Communities Caucus, a bipartisan group of Members who have Round II empowerment zones and enterprise communities located in their Congressional Districts. I am pleased that Panel III of today's hearing includes Jim Sauro, Freeholder Director of Cumberland County, New Jersey and Jerry Velazquez, the Executive Director of our empowerment zone. In just two short years, the Cumberland County Empowerment Zone has leveraged nearly \$10 in private investment for every one dollar of public funding. I am proud that our Zone has received the prestigious IEDC Economic Development Award and is widely recognized as one of the top

three Empowerment Zones in the country.

As you know, the Empowerment Zone/ Enterprise Community initiative provides special federal assistance to support the comprehensive revitalization of designated urban and rural communities across the country. It is a 10 year program that targets federal grants to distressed urban and rural communities for social services and community redevelopment and provides tax and regulatory relief to attract or retain businesses. The federal investment generates funding at the state and local level as well as from the private sector.

The original Empowerment zone designations in 1994 received full funding as an entitlement, making all grant awards available for use within the first two years of designation. Unfortunately, this has not been the case with the Round II designations.

Benefits promised with this designation included flexible funding grants of \$100 million for each urban zone, \$40 million for each rural zone and about \$3 million for each Enterprise community over a 10 year period beginning in 1999. Round II zone designations were required to prepare strategic plans for comprehensive revitalization based on the availability of \$100

million in Federal grant funding over 10 years (1999-2009). Unlike the round I designations, Round II zones have only received a small fraction of funding, none of which has been up front. As a result, our zones lack the certain and predictable funding stream to implement their strategic plans, and must seek an annual appropriation to secure the promised Federal grant award.

Cumberland County Empowerment zone is a collaborative revitalization strategy between the communities in my District of Bridgeton, Millville, Vineland and Port Norris.

Cumberland is the second fastest spending zone in the nation, having committed 100% of the nearly \$19 million that has been made available by HUD so far. Over 1100 jobs will be created in this zone over the next 18 months, if the federal funding source continues. Over 100 housing units have been renovated rehabilitated, constructed or purchased in EZ neighborhoods and a \$4 million loan pool is available to be reinvested back into the targeted communities. Cumberland County has funded over 60 initiatives through the EZ program, utilizing \$11,627,563 in

funding. These projects are estimated to leverage a total of \$123,948,631 in private, public and tax exempt bond financing. The future success, viability and sustainability of the empowerment zone strategy and more importantly, our communities hinge on the ability to continue to attract and leverage private investment. It is imperative that existing Round II empowerment zones receive multi-year funding to facilitate the implementation of the long term strategy plan as required by each Zone.

The Federal funding commitment to EZ Round II remains largely unfulfilled, impeding the implementation of Zone projects and threatening continued non-federal support.

Through FY02, each Round II Urban zone was appropriated only \$22 million versus the \$40 million projected in the application process - \$3 million in FY99, \$3.66 million in FY00, \$12.3 million in FY01 and \$3 million in FY02.

EZ partners in the private sector will continue to be reluctant to commit their own resources without a guarantee that EZ funding will be available to complete their project.

Last year, I introduced, along with Mr. Capuano and several other Members, HR 2637, which would authorize funding and correct certain inconsistencies with the Round II Empowerment Zone/ Enterprise Community program. When Round II empowerment zones were originally designated, it was envisioned that they would be supported with mandatory funding from the Social Services Block Grant. However, because of constraints in SSBG funding, these zones have instead been funded through annual discretionary appropriations. My bill would address this issue by establishing a formal funding authorization for urban and rural empowerment zones and enterprise communities through the Financial Services and Agriculture Committees. HR 2637 also includes language to allow specific authorization for grants to be used as matching funds for other relevant federal grant programs, all in an effort to offer the EZ/EC program maximum flexibility at the local level. Allowing use of EZ/EC funds to meet the local funding contribution mandates of other federal grant programs conforms with the principles and objectives of the empowerment zone initiative, as well as the precedent set by the Community

Development Block Grant program for flexible community revitalization grant mechanisms.

I request my colleagues on this Subcommittee consider including the language in my bill as you prepare to report Housing authorization legislation out of this Committee.

As you will see by the testimony presented today by witnesses from the various Zones around the country, the empowerment zone effort is consistent with bi-partisan urban policy priorities, such as (1) supporting community based organization efforts to deliver services and revitalize distressed areas; (2) increasing private-public partnerships; (3) removing federal regulatory barriers; and (4) promoting models of performance-driven accountability. This federal designation in my Congressional District has brought promise of new opportunity and economic hope, investment, job creation and development throughout Cumberland County. Our communities have already invested considerable resources in securing their EZ designations.

Congress has a responsibility to carry out its promise to these communities by making federal funds available to ensure new jobs, revitalize neighborhoods and spur economic growth over

the next decade.